

METROPOLITAN PARK DISTRICT OF TACOMA
Pierce County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Public Funds Were Misappropriated And Accounting Records Were Falsified

Our audit of the financial records of the Metropolitan Park District revealed that at least \$17,189.98 in public funds was misappropriated by the payroll officer during the period December 1, 1992, through April 15, 1995. Accounting records were falsified in an attempt to conceal these losses. There were no federal funds involved in this case.

The district finance department detected irregularities associated with the payroll officer's paycheck during their normal review of payroll transactions for the pay period ending April 15, 1995. The finance department immediately notified the Office of State Auditor of these irregularities. In addition, they began an investigation to determine if other irregularities in the payroll process had occurred. This investigation covered all pay periods during the period January 1, 1990, through April 15, 1995. During our audit, we were assisted by the finance department to determine the amount of the loss. Public funds were misappropriated and accounting records were falsified by the payroll officer as described below.

a. One employee was overpaid by the payroll officer.

(1) This employee was paid more than his regular hourly rate of pay without the approval of his supervisor. The employee's normal rate of pay ranged from \$12.40 per hour in 1993 to \$13.16 per hour in 1995. However, his actual rate of pay ranged from \$14.08 to \$20.26 per hour during this period of time. The payroll officer overpaid this employee on at least 60 separate occasions. Several overpayments occurred despite the fact that out-of-class pay had already been disapproved by the employee's supervisor. Other overpayments were made to this employee by the payroll officer without any indication on the employee's time card that out-of-class pay was actually earned by the employee. Total overpayments from this method were \$13,958.16.

(2) Ten days of vacation leave were improperly and without authorization converted to compensatory time in the district's payroll system. Later, this time was paid to this employee. Total overpayments from this method were \$1,142.29.

(3) Military leave was overpaid to this employee by 16 hours in 1993 and 120 hours in 1994. Total overpayments from this method were \$2,017.15.

(4) The time card for the pay period ending January 15, 1995, was altered by the payroll officer to pay this employee an additional \$72.38.

b. The payroll officer altered several payroll files to allow a relative employee and

two other employees to use a medical aid rate in payroll deductions which was \$0.10 less per hour than was authorized by law. This condition did not result in a improper payment by the district, but affected the net pay to the employees by reducing the employees' contribution for payroll taxes and increasing the net take-home pay. The total dollar effect of this condition was not calculated.

- c. The payroll officer manipulated her own payroll files by changing federal withholding exemptions and altering amounts to be withheld from her pay for state retirement. Each of these manipulations increased her net pay for the effected payroll period. This condition did not result in a improper payment by the district, but affected the net pay to the employee by reducing the employee's contribution for payroll taxes and retirement contributions.
- d. The payroll officer's paycheck for the period ended April 15, 1995, included an amount for eight hours of vacation pay that was added after her time card had been approved by her supervisor and entered into the payroll system. However, this amount was not paid to the employee because this manipulation was detected before the actual payroll check was issued.

The payroll officer resigned from the district on April 24, 1995, after her supervisors attempted to determine the cause of the payroll alterations. We were unable to discuss these matters with her.

RCW 42.20.060 states:

Falsely auditing and paying claims. Every public officer, or person holding or discharging the duties of any public office or place of trust under the state or in any county, town, or city, a part of whose duty it is to audit, allow or pay, to take part in auditing, allowing or paying, claims or demands upon the state or such county, town or city, who shall knowingly audit, allow or pay, or, directly or indirectly, consent to or in any way connive at the auditing, allowance or payment of any claim or demand against the state or such county, town or city, which is false or fraudulent, shall be guilty of a gross misdemeanor.

RCW 42.20.070 states in part:

Misappropriation and falsification . . . Every public officer, and every other person receiving money on behalf or for or on account of the people of the state or of any department of the state government of any bureau or fund created by law in which the people are directly or indirectly interested, or for or on account of any county, city, town, or any school, diking, drainage, or irrigation district, who:

- (1) Shall appropriate to his or her own use or the use of any person not entitled thereto, without the authority of law, any money so received by him or her as such officer or otherwise; or
- (2) Shall knowingly keep any false account, or make any false entry or erasure in any account, of or relating to any money so received by him or her, or
- (3) Shall fraudulently alter, falsify, conceal, destroy or obliterate any such account . . . shall be punished by

imprisonment in a state correctional facility for not more than fifteen years.

The payroll officer circumvented the district's internal control policies and procedures to misappropriate funds and falsify accounting records.

We recommend the Metropolitan Park District seek recovery of the misappropriated \$17,189.98 and related audit/investigation costs from the payroll officer and its insurance bonding company, as appropriate. We further recommend the Washington State Office of the Attorney General and the Pierce County Prosecuting Attorney review this matter and take whatever action is deemed necessary under the circumstances. Any compromise or settlement of this claim must be approved in writing by the Attorney General and State Auditor as directed by RCW 43.09.260.

Insurance Company Name	The Aetna Casualty and Surety Company
Type of Insurance Bond	Public Employee Dishonesty Coverage
Policy Number	81 F 100796819 BCA
Amount	\$100,000 per employee, \$2,500 deductible
Period of Coverage	January 1, 1993 until cancelled